

2025-27 Budget Review

Department of Forestry

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	282,485,996	445,418,702	157,480,636	291,314,733
Lottery Funds	2,564,201	2,557,080	2,558,120	2,558,120
Other Funds	383,063,337	711,872,081	390,788,707	453,775,258
Federal Funds	28,185,123	81,911,546	56,752,010	84,701,219
Total Funds	696,298,657	1,241,759,409	607,579,473	832,349,330
Positions	1,398	1,431	1,415	1,446
FTE	1,023.34	1,075.02	1,085.24	1,097.23

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The Oregon Department of Forestry (ODF) administers state and federal forest laws and policies, within a context of sustainable forests, for the benefit of all Oregonians. The Department's mission is to serve the people of Oregon by protecting, managing, and promoting stewardship of Oregon's forests to enhance environmental, economic, and community sustainability. To achieve this mission, ODF has a diverse portfolio of programs that span fire protection; forest management; regulation and enforcement; forest health; forest restoration; and resiliency.

The Department is led by the State Forester, who is appointed by the Board of Forestry, and acts under their direction. The Board of Forestry consists of seven members appointed by the Governor and confirmed by the Senate. Members serve a four-year term and are charged with supervising all matters of forest policy and management under the jurisdiction of this state.

The Department is organized into three operational divisions, including Fire Protection, State Forests, and Forest Resources. Five additional divisions provide the agency's administration, centralized services, and support functions:

Fire Protection - This Division represents 64% of the current agency budget and provides fire protection to approximately 16 million acres of publicly and privately-owned forests and grazing land, including federal and tribal lands. Fire prevention, detection, and suppression are accomplished through collaborative work with private landowners, state and federal agencies, tribal partners, local fire departments and rural fire districts. The Division is supported by General Fund, Other Funds and Federal Funds revenue.

State Forests - This Division represents 10% of the current agency budget and manages state forests to provide a range of public benefits, striving to achieve a healthy, productive, and sustainable forest ecosystem for the “greatest permanent value” (ORS 530.050). State forests represent about 3% of Oregon’s forestland, and include land administered by the Board of Forestry as well as land benefitting the Common School Fund. The division operations are funded by approximately 98% timber revenue.

Forest Resources - This Division represents 14% of the current agency budget and works with landowners, the timber industry, the conservation community, and other organizations to keep Oregon’s forests healthy and productive. The Forest Resources division is the primary administrator of the Oregon Forest Practices Act, providing education, inspection, and enforcement of lawful forestland management. Additionally, staff works to monitor and improve forest health, support urban forestry, and operate the seed orchard. The Division is funded with General Fund, Federal Funds, and Other Funds revenue, predominantly from the Forest Products Harvest Tax, cooperative projects, Good Neighbor Authority timber sales, and seed sales.

Agency Administration - This Division represents 5% of the current agency budget and supports the agency’s core business functions. Services include executive leadership, human resources, budget, finance, procurement, information technology support, and public affairs. ODF has requested a reorganization for the 2025-27 biennium that would move the Planning Branch into Agency Administration. The Planning Branch provides subject matter expertise regarding planning and partnership development in the fields of climate, carbon, ecology, taxation, forest resilience, land use planning, and wood products utilization. The Division is funded with Other Funds revenue from internal assessments as well as a small portion of Federal Funds for grant administration.

Equipment Pool - This Division represents 3% of the current agency budget and serves as the operational hub for administering fleet and wireless radio equipment, as well as the associated support. The Division is primarily funded by Other Funds from internal agency user fees, but also includes General Fund for two Communication Technicians granted in SB 762 (2021).

Facilities Maintenance and Management, Capital Budgeting, and Debt Service - Collectively, these divisions represent 3% of the current budget, and administer routine maintenance, the reduction of deferred maintenance, and the implementation of capital construction and improvement projects. Facilities Maintenance and Capital Budgeting are supported by Other Funds, while the Department’s debt service expenditures are supported by General Fund and Lottery Funds.

The Department’s programs are funded through a network of public and private sources. Other Funds revenues include proceeds from timber sale on state lands; harvest taxes paid by all timber harvesters in Oregon; fire protection assessments paid by private forest landowners; seed cooperative assessments; camping fees on state forest lands; burning fees; a portion of all-terrain vehicle license fees; and interest income.

General Fund supports most debt service, as well as portions of the current budgets for Fire Protection, Forest Resources, and Equipment Pool divisions. The General Fund appropriation for the Fire Protection division varies significantly from one biennium to the next, driven by the state’s emergency fire costs, but is consistently the largest appropriation in the Department. The current Fire Protection appropriation totals \$348 million; equal to 78% of the Department’s General Fund for the 2023-25 biennium.

Federal Funds are received for various grants, agreements, and fire protection services on federal lands. The Forest Resources budget includes the largest percentage of Federal Funds revenue in the Department. Approximately \$60 million, equal to 73% of the Department's Federal Funds, and 33% of the total revenue supporting the Forest Resources division, comes from federal partners. Sources include the U.S. Forest Service's Good Neighbor Authority agreement, which allows federal and state agencies to work in partnership to implement watershed and forest management activities on federal lands; and the U.S. Forest Service's Urban and Community Forestry program, which assists cities and community organizations to grow and improve green space.

BUDGET ENVIRONMENT

Private Forest Accord

The Private Forest Accord (PFA) is the framework for reimagining Oregon's Forest Practices Act; impacting more than 10 million acres of private and non-federal forests; and providing regulatory certainty and better protection of the state's natural resources. The agreement codified negotiations between the timber industry and conservation groups in 2022. The Legislature passed three bills during the 2022 legislative session to capture provisions of the agreement within SB 1501, SB 1502, and HB 4055, including both policy and funding. In SB 1501, the Department received an appropriation of \$14 million General Fund, \$3 million in Other Funds expenditure limitation, and 58 positions, 50 of which were permanent. The Department's current budget phased-out \$11 million total funds for one-time costs associated with initial implementation, and invested an additional \$17 million General Fund, also on a one-time basis. Much of the work to implement the PFA is intended to continue into the 2025-27 biennium with a focus on the completion of a Habitat Conservation Plan (HCP); which is anticipated by late 2025, in a best-case scenario. Yet, additional funding is not included in the agency's 2025-27 recommended budget. Instead, the Governor's budget proposes a special purpose appropriation of \$10 million for ODF, to be utilized for grants to small forestland owners investing in stream habitat, once the HCP has been finalized. Funding was not provided for the Adaptive Management Program Committee or the Independent Research and Science Team, which are key to implementing strategies outlined in the PFA and the HCP.

State Forests Operating Revenue

Timber sale proceeds make up approximately 98% of the revenue supporting the operational and administrative cost for managing state-owned forests. For timber harvests on Board of Forestry lands, 63.75% of net timber revenue is transferred to counties and local taxing districts where the harvest occurred. The Department retains the remaining 36.25% in the Forest Development Operating Fund for all aspects of managing the lands, including forest management, resource protection, education, and interpretation. Many factors impact the revenue available to operate Oregon's state forests. Funding levels vary with cyclical economic trends because timber harvest revenues are dependent on both harvest volume and fluctuating timber prices. Additionally, a large portion of state forestland has severe production concerns and low-value timber, with a high cost associated with the necessary forest management, putting operations in a negative revenue position. Most Board of Forestry lands were acquired in a degraded condition resulting from catastrophic fires and extractive logging during the last

century and were consequently deeded to the state by counties after tax foreclosures. There are forest health concerns in many of these areas, such as Swiss Needle Cast disease, and large swaths of hardwood dominated stands with little conifer component. Other factors impacting timber harvest revenues include the increasing severity of wildfire seasons; legal constraints associated with additional threatened or endangered species; pressures for public use; and the effects of climate change on forest resiliency. The State Forests division faces short and long-term funding challenges as increased costs outpace a declining income. ODF is not able to fund certain forest management activities because the cost of operations produces a net negative financial position for the division. Currently, the Department estimates the additional funding needed to supplement operations and reach a revenue neutral position at approximately \$21 million.

Wildfire

Funding for the state's wildfire protection is provided in three components. The first is referred to as base fire protection and is achieved through a coordinated network of 12 fire protection districts, inclusive of three independent fire protection associations. These local districts are the first line of defense in fire detection and suppression, providing personnel, equipment, and expertise to large fire operations throughout the state. The base level of protection is included, with some exceptions, in the biennial budget for the ODF and is in addition to the state's net emergency fire costs, typically requested as additional funding from the Legislature during the interim.

The second component of fire protection is the statewide emergency fire program. Due to the unknown frequency and severity of large forest fires, no dedicated resources are provided to ODF for emergency fire costs in the agency's biennial budget. ODF historically seeks reimbursement from the General Fund after each fire season. Resources to fight large fire are coordinated on a statewide basis and include personnel and equipment from ODF and local protection districts, as well as contractors needed to augment the efforts of the local fire districts. If a fire exceeds the available resources at the local level of prevention, the costs may qualify for emergency fire funding. Those costs are managed by the Emergency Fire Cost Committee, a four-member committee of forest landowners appointed by the State Board of Forestry and allocated to various funding resources including the Oregon Forestland Protection Fund, the General Fund, and federal sources.

Severity resources, which primarily refers to aviation support, represents the third component of the fire protection program. Each fire season, as part of base fire protection activities (detection and suppression), ODF contracts with local and national resources to provide air and ground support to prevent small fires from growing into large, costly fires. These resources allow for rapid response and are deployed during periods of multiple fire starts and heightened fire danger. The 2023 Legislature provided a \$14 million General Fund special purpose appropriation to the Emergency Board for fire protection expenses, intended for severity resources. These funds are coupled with up to \$6 million in the Oregon Forest Land Protection Fund from landowner acreage assessments, minimum lot assessments, improved lot surcharges, and harvest taxes, to provide aviation resources, equipment pre-positioning, and airborne hand crews.

The current wildfire funding model requires the Department to absorb immediate costs while federal and state processes reconcile to provide reimbursements. While this approach was considered

sustainable 10 years ago, the landscape has literally changed. Fire seasons are increasing in terms of severity, duration, and therefore cost, rendering this current model unsustainable.

For example, Oregon's 2024 fire season, in terms of acres burned and the total cost of suppression, has set records far surpassing any previous year. Ten years ago, fire seasons averaged closer to three months, Oregon's 2024 fire season lasted approximately four. The first Incident Management Team deployed on July 7, 2024, and the last team left ODF jurisdiction on October 28, 2024. Moreover, at the peak of fire activity on August 1, 2024, Oregon was the top firefighting priority in the nation with nearly 13,000 firefighters assigned to state and federal incidents.

The total cost of the 2024 fire season was \$317.5 million, and the acres burned across the state surpassed 1.9 million. After grants, cost recoveries, and \$10 million from the Oregon Forest Land Protection Fund, net emergency fire costs totaled approximately \$122 million. For context, the ten-year average for gross fire costs is roughly \$69 million, and the ten-year average for net state costs is roughly \$26 million. Consequently, the recent season's gross and net costs are 4.6 and 4.7 times greater than the ten-year averages, respectively. Moreover, the 1.9 million acres burned represents more than three times the ten-year average, and a 71% increase over the acres burned in the historic 2020 fire season.

The Department could not absorb the gross cost of fire season, and was faced with impending insolvency, difficult operational decisions, and a backlog of vendor payments. The 2024 first special session was convened to address 2024 emergency fire costs and the resulting cash flow issues of Oregon's firefighting agencies. The Legislature passed SB 5801 to appropriate over \$218 million General Fund to ODF and the Department of the State Fire Marshal (DSFM). However, statements on record urged development of a new funding approach for the state's emergency fire costs. In March 2025, ODF and DSFM reported jointly to the legislature on the funding options identified by the state's Wildfire Funding Workgroup, convened as per a budget note associated with SB 5701 (2024). Additionally, the Governor's budget provides a deposit of \$135 million General Fund for ODF into the State Forestry Department Cash Flow Repayment Fund, established by ORS 526.122, with the intent to amend the statutory fund to act as a revolving fund so firefighting agencies may manage large fire costs without compromising operations.

CURRENT SERVICE LEVEL

The 2025-27 current service level (CSL) budget for ODF totals approximately \$608 million and supports 1,415 positions (1,085.24 FTE). This represents a decrease of over \$634 million total funds, or 104% from the Department's 2023-25 legislatively approved budget (LAB). This significant reduction is the net result of adjustments to debt service and personal services expenditures; inflation; the removal of capital construction expenditure limitation; and the exclusion or phase-out of one-time investments included in the 2023-25 LAB. CSL increases include \$21 million in personal services expenditure adjustments; \$25 million in inflation, inclusive of \$4 million in exceptional inflation for interagency indirect costs; and over \$2 million in debt service adjustments. However, the primary factor in the significant reduction at CSL is the phase-out, and exclusion, of nearly \$682 million total funds. This includes \$300 million General Fund, over \$350 million in Other Funds, and \$31 million Federal Funds expenditure limitation. Reduction factors are comprised of base adjustments to remove capital expenditures, phase-outs, and one-time investments from recent legislative actions. The most significant one-time investments include:

- \$191.5 million General Fund appropriated through SB 5801 (2024 first special session), as well as \$126 million in Other Funds expenditure limitation for emergency fire costs related to the 2024 fire season.
- \$47.5 million General Fund and \$146 million in Other Funds expenditure limitation, granted by the Emergency Board in September 2024, for preliminary and partial emergency fire costs related to the 2024 fire season.
- \$33 million General Fund and \$49 million Other Funds expenditure limitation for 2023 fire season costs, appropriated in SB 5701 (2024).
- \$10 million General Fund and \$9.5 million Other Funds expenditure limitation for one-time investments in landscape resiliency.
- \$12.5 million General Fund in the Forest Resources division for one-time investments in stream habitat (\$7 million), adaptive management (\$4 million), sudden oak death (\$2 million), and vehicle purchases (\$90,000).
- \$6 million General Fund for one-time program expenditures related to the Private Forest Accord.
- \$16 million in Other Funds expenditure limitation for capital construction projects and capital equipment purchases.
- \$3 million in Other Funds expenditure limitation for a one-time transfer from the Oregon Watershed Enhancement Board, Natural and Working Lands Fund, to deliver natural climate solutions projects.
- \$31 million in Federal Funds expenditure limitation related to grants in the Forestry Assistance and Urban Forests programs.

The agency's CSL also includes a net-zero technical adjustment package shifting positions and budget across divisions to consolidate the Planning Branch into the Agency Administration division.

GOVERNOR'S BUDGET SUMMARY

The 2025-27 Governor's budget includes over \$832 million total funds, comprised of over \$291 million General Fund, \$3 million Lottery Funds for debt service, \$454 million Other Funds expenditure limitation, \$85 million Federal Funds expenditure limitation, and 1,446 positions (1,097.23 FTE). The total funds budget represents an increase of approximately \$225 million, or 37%, above CSL and includes 31 additional positions (11.99 FTE). The Governor's budget recommends a total of 13 policy packages, including three technical adjustment packages, which provide ODF with \$134 million General Fund, \$63 million in Other Funds, and \$28 million in Federal Funds expenditure limitation. Much of this increase above CSL is related to a deposit of \$135 million General Fund in the State Forestry Department Cash Flow Repayment Fund, with the intent to adjust the statutory purpose of the fund to support large fire cash flow.

Notably missing from the Department's budget is any investment into the continued implementation of the Private Forest Accord (PFA). However, the Governor's Budget includes a special purpose appropriation to the Emergency Fund of \$14 million to continue PFA staffing and implementation in the 2025-27 biennium. Funds will be made available to the Department following completion of a Habitat Conservation Plan, scheduled for late 2025.

Overall, the Governor's budget makes investments in operational improvements; provides expenditure limitation for anticipated federal grants; and recommends bonding and expenditure authority for several capital projects. Additional details for major package investments, reductions and adjustments follow:

- Package 090 - This package increases General Fund by approximately \$131 million, reduces Other Fund expenditure limitation by \$340,000 and abolishes five positions (5.00 FTE) supported by General Fund. The largest component of this package is an appropriation of \$135 million General Fund for deposit into the State Forestry Department Cash Flow Repayment Fund. This investment is offset somewhat by the eliminated positions, including a vacant Accountant (1.00 FTE) and four Federal Forest Restoration positions (4.00 FTE). The package also eliminates the Small Forestland Grant Program, established in SB 762 (2021) and totaling nearly \$3 million General Fund, which provides competitive grants to restore landscape resiliency and reduce wildfire fuels.
- Package 104 - Workforce Development - This package establishes a permanent Workforce Development Manager (0.49 FTE), supported by the Department's administrative assessment for the Agency Administration division. The position will phase-in during the 2025-27 biennium and roll up to full time in the 2027-29 biennium.
- Package 105 - Urban and Community Forestry - This package provides \$28 million in Federal Funds expenditure limitation to allow the Department to continue implementation of the Urban and Community Forestry program under a previously approved federal grant.
- Package 106 - Payroll Transfer to DAS - This package provides \$190,158 General Fund and \$327,714 in Other Funds expenditure limitation to support the transfer of agency payroll services to the Department of Administrative Services (DAS). Accordingly, two positions have been transferred from ODF to DAS, who has a corresponding policy package in their 2025-27 Governor's Budget.
- Package 107 - Severity Position Request - This package increases Other Funds expenditure limitation by \$4 million and establishes 37 positions (18.50 FTE) for the management of critical aviation and ground-based emergency resources during fire season. Over several biennia, the Department has received a special purpose appropriation (SPA) to the Emergency Board used for severity resources. The Governor's Budget has reserved \$16 million for the 2025-27 biennium. Personnel are required to oversee and manage the contracted resources procured with the SPA funds. The positions would be paid for with Other Funds, then an expenditure reimbursement would be requested from the Emergency Board.
- Packages 108-113 - Capital Investments - Collectively, these packages request nearly \$3 million General Fund for debt service expenditures, and over \$61 million in Other Funds expenditure limitation to support major facility projects for the Department. The package has no impact on positions or FTE. Projects include phase three of the Toledo facility relocation project; replacement of the North Cascade District's Headquarters - the Santiam Administration Office, after the building was destroyed by fire; replacement of the Klamath Lake District Headquarters after it was destroyed by fire; preservation and modernization of the State Forester's Office building; a remodel of the Veneta Campus; and Package 113 requests authority to address deferred maintenance and capital improvement projects throughout the Department.

The Governor's budget also includes statewide adjustments for Attorney General rates and DAS assessments and service charges.

OTHER SIGNIFICANT ISSUES

Wildfire Funding Workgroup - During the 2024 legislative session, a budget note associated with SB 5701 directed the Department of Forestry (ODF) and the Department of the State Fire Marshal (DSFM) to convene a workgroup to identify options for sustainably funding wildfire mitigation, suppression and mobilizations, land classification, and managing the intersection between forest land protection districts and structural fire protection districts. The budget note also directed ODF and DSFM to jointly present a report on the workgroup's progress to the Emergency Board in December 2024 and the Joint Committee on Ways and Means during the 2025 legislative session. The budget note states: "At minimum, the progress report shall include a list of alternative funding strategies along with the following information for each strategy: a description of the strategy; identification of the barriers to implementation; identification of the sustainability risks; and an estimate of the fiscal and revenue impact." This workgroup is comprised of a wide range of stakeholders with varied interests and has been facilitated by a third-party contractor.

The progress report presented to the Emergency Board in December 2024 was introductory and mainly highlighted the most recent fire season, the aim and makeup of the workgroup, and spoke to the status of identifying alternative funding strategies. The group has narrowed down nearly 70 funding ideas to approximately 20, and continues to examine the barriers, risks, and fiscal impacts of each proposed strategy, working toward consensus. While the initial report was preliminary, more details and information is anticipated in the report that will be delivered to the Joint Committee on Ways and Means during the 2025 legislative session.

State Forestry Department Cash Flow Repayment Fund - The 2024 first special session was convened to address the record-breaking costs of the 2024 fire season and the resulting cash flow impacts on Oregon's firefighting agencies. SB 5801 appropriated a total of \$191.5 million General Fund to ODF, on a one-time basis, so that the Department could continue paying fire season obligations and maintain agency operations.

ODF's 2024 gross emergency fire costs totaled \$317.5 million. Of that total, the Department anticipates \$185.4 million in federal reimbursements, grants, and cost recoveries, leaving a net cost of \$122.1 million, after accounting for \$10 million from the Oregon Forest Land Protection Fund. In September 2024, the Emergency Board allocated \$40 million General Fund to ODF, prior to the close of fire season, anticipating the Department would submit a request for the remaining balance in December 2024. The remaining balance of net large fire costs totaled approximately \$82.1 million. However, ODF needed an additional \$109.4 million General Fund to remain solvent through July 2025. This total of \$191.5 million General Fund was appropriated in SB 5801 to address cash flow concerns while ODF pays gross large fire costs and distributes timber sales revenue to local taxing districts, prior to receipt of any federal reimbursements, grants, and cost recoveries. The total appropriation was divided into two portions; \$82.1 million was appropriated to the Fire Protection Division for remaining net large fire costs, and \$109.4 million General Fund was deposited into the State Forestry Department Cash Flow Repayment Fund, established by ORS 526.122. Monies deposited into this fund are continuously appropriated to

ODF and are expended as Other Funds. The Fund includes statutory requirements for repayment to the General Fund when the monies available to the Department are greater than necessary to satisfy cash flow needs, and any unspent monies in the fund will revert to the General Fund at the close of the biennium. As per ORS 526.122, the Department is required to report to the Joint Committee on Ways and Means before March 31, 2025, on the Department's cash flow and status of the fund. SB 5801 was signed into law on December 13, 2024, and as of December 30, 2024, the Department had paid approximately \$131 million to vendors, with all but \$475,000 in invoices remaining.

KEY PERFORMANCE MEASURES

A copy of the Oregon Department of Forestry's Annual Performance Progress Report can be found on the LFO website: https://www.oregonlegislature.gov/lfo/APPR/APPR_ODF_2024-08-02.pdf

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